TAX EVASION DETERMINANTS: EVIDENCE FROM NIGERIA

By

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ABSTRACT

Tax evasion is a serious problem that causes government of different nations lose revenues at various levels. The main aim of this study is to determine the factors influencing tax evasion among taxpayers from the Nigerian perspective. In order to achieve this goal, the study employed a survey method, where Gombe State taxpayers had been the scope and selected respondents of this study. A self-administered questionnaire was deployed as a method of data collection. The total number of the state taxpayers was 26,313, out of which 379 were randomly selected as the sample size. Multiple regression analysis was used in analyzing the data collected to determine the correlation between the variables. The finding of the study indicates that, the tax system, income level and education level have significant positive relationship with tax evasion. On the other hand, tax rate and corruption indicates positive relationship but are not significantly correlated with tax evasion. Therefore, the study recommends that government should improve the tax system through amending and adjusting tax laws and policies that would encourage people to comply voluntarily. Similarly, enhancing the tax education will also improve the compliance behavior. Finally, the study suggests that proper check and balance method and effective tax reform will yield more compliance at different level.

Key words*: tax evasion, determinants, taxpayer, Nigeria***.**

ABSTRAK

Pengelakan cukai merupakan masalah serius yang menyebabkan kerajaan pelbagai negara kehilangan pendapatan. Tujuan utama kajian ini adalah untuk menentukan faktor-faktor yang mempengaruhi pengelakan cukai di kalangan pembayar cukai dari perspektif negara Nigeria. Bagi mencapai tujuan ini, pembayar cukai di Negeri Gombe telah diskop dan dipilih sebagai responden. Soal selidik yang dipanta sendiri telah digunakan sebagai kaedah pengumpulan data. Jumlah pembayar cukai di Gombe adalah 26,313 di mana 379 daripadanya telah dipilih secara rawak untuk dijadikan saiz sampel. 'Regresi pelbagai' adalah alat statistik yang digunakan dalam menganalisis data untuk menentukan korelasi antara pembolehubah. Dapatan kajian menunjukkan bahawa sistem cukai, tahap pendapatan dan tahap pendidikan mempunyai hubungan positif yang signifikan dengan pengelakan cukai. Sebaliknya, kadar cukai dan rasuah menunjukkan hubungan positif tetapi tidak signifikan berkorelasi dengan pengelakan cukai. Oleh itu, kajian ini mencadangkan bahawa kerajaan harus meningkatkan sistem cukai dengan mengubah dan menyesuaikan undang-undang dan polisi cukai yang akan mendorong orang ramai untuk mematuhi undang-undang cukai secara sukarela. Begitu juga dengan memberikan penerangan yang mencukupi berserta pendidikan cukai juga akan meningkatkan kepatuhan orang ramai dalam pembayaran cukai. Akhir sekali, kaedah pemeriksaan dan keseimbangan yang teliti serta pembaharuan cukai yang efektif akan mening katkan pematuhan secara menyeluruh.

Kata kunci*: pengelakan cukai , penentu, pembayar cukai , Nigeria .*

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DEDICATION

This work is dedicated to:

Alhaji Gurama Liman

Hajjah Zainabu Abubakar (Hajja babu)

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LIST OF ABBREVIATION

Abbreviation	**Description of Abbreviation**
EFCC	Economic and Financials Crime Commission
FIRS	Federal Inland Revenue Services
GDP	Gross Domestic Product
TE	Tax Evasion
TJN	Tax Justice Network
TR	Tax System
TS	Tax Rate
SD	Standard Deviation
SPSS	Special Package for Social Sciences
UN	United Nations
VIP	Variance Inflation Factor

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Taxes are said to be an immensely vital instrument and primary source of revenues to the government. Revenues which are needed to finance critical programs (e.g. health care, education), services (e.g law enforcement, public utilities), and infrastructures (e.g. road construction, environmental protection) which are beneficial to the society. Worlu and Emeka (2012) assert that tax revenue utilization is a basis for supporting developmental activities in less developed economies. However, collecting revenue has been a difficult matter primarily due to various form of confrontation such as tax evasion and corruption exercises. Taxes provide government with revenue, and those who contribute have a say in the system, about how the government spends their monies. Moreover, taxes are an essential component to economic growth and social growth therefore. Hence, there is no hesitation about the need for and benefit of taxation (Oyedele, 2012).

The disbursement of taxes is a public responsibility and it is an imposed contribution by government on citizen and corporate entities to enable the running and financing of public utilities and other social needs of the nation. The desire to uplift one's society is the first aspiration of every patriotic citizen (Adebisi & Gbegi, 2013). Whenever a country's taxation system failed to establish appropriate policies to collect tax, many individuals will use this opportunity to evade paying taxes. Thus, tax evasion will occur

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